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Company environmental and societal positions as sources of competitive advantage: Implications for sustainable agriculture producers

Abstract: Use of an environmental positioning strategy can help small-scale agricultural producers present their products to consumers in a more appealing manner.

Question & Answer

Q: How can small producers make their products more attractive to consumers?

A: There are several ways that farmers can promote or position their environmentally-friendly farming practices to help their products stand out from conventionally produced farm goods.

Background

Agricultural producers have typically operated in commoditized markets involving relatively undifferentiated product offerings. These markets are often characterized by strategies that emphasize low prices/margins and high volumes. Unfortunately for smaller producers, these conditions favor larger conglomerates that possess greater capabilities for developing economies of scale.

Recent shifts in the marketplace suggest that smaller agricultural entities may want to take advantage of other ways to differentiate their offerings, such as the use of environmentally friendly or “green” product appeals to consumers. There also is reason to believe that the success of an environmental approach may be affected by a company’s general reputation as well as its origins (i.e., whether the products are offered by small local producers or large national conglomerates). Thus, the basic question addressed by this project concerns whether environmental positioning strategies can

positively influence consumer perceptions about agricultural producers and their offerings.

Environmental positioning refers to the extent to which a company operates in an environmentally friendly or environmentally responsible manner. Reputational positioning is multi-dimensional and reflects multiple factors. Among these factors, this study examined the extent to which the company is local or national/multinational and the extent to which it is viewed as socially responsible. Both forms of market positioning are open to positive or negative manipulation

Approach and methods

A consumer experiment was conducted via the Internet and consumers were questioned about environmental positioning (positive or negative), producer origin (local vs. non-local) and company reputation (positive vs. negative) of fictitious agricultural producers. A number of dependent variables were collected in the study. Examples include consumer choice preferences, willingness to pay, company attitudes, and perceptions of produce freshness, among others. The surveys were developed and administered using software provided by SurveyMonkey.com.

The on-line surveys were administered to respondents by a third-party company, Post MasterDirect, which manages the world’s largest database of e-mail addresses. A random sample of 4,200 e-mail addresses was selected and 800 (19 percent) usable surveys were received. Respondents were 36 percent male and 64 percent female, with ages ranging from 18 to 80 years.

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Budget:
\$25,820 for year one

Conclusions

The general finding emerging from the survey is that agricultural producers can positively differentiate their offerings through company positioning. In doing so, firms can influence choice shares and create price premiums for their products by cultivating, in general, a positive company reputation and, more specifically, perceptions that they are an environmentally friendly company.

The most consistent finding concerns the effects of environmental positioning on consumer perceptions. In fact, the presence of this type of positioning enhanced perceptions associated with every dependent variable assessed in the study. Adoption of an environmental positioning strategy positively influenced consumer perceptions about agricultural producers, including the general attitudes associated with these firms as well as consumer beliefs about the organization's support of social causes and the local community.

The study showed that adopting an environmental positioning strategy resulted in more favorable intentions to purchase the firm's products and an increase in the likelihood that consumers would choose its offerings. Differentiating a company based on an environmental platform also increased the perception that the firm's products were of higher quality and freshness with the accompanying willingness to pay a premium for such products. Finally, an environmental positioning strategy resulted in the creation of customer perceptions that the producer employed agricultural processes that were more sustainable than firms that were not positioned as being "environmentally friendly."

The results demonstrate that producers who buy locally and pay their farm workers a fair wage will accrue a number of benefits with consumers. Their reputation was further improved by providing consumers with information about safeguarding farm workers against potentially dangerous pesticides. It appears that socially responsible farmers would benefit from enhancing the transparency of their operations to consumers, perhaps via information posted on a web site.

More favorable consumer perceptions of quality were associated with smaller, local firms while more positive perceptions of produce freshness and community support were associated with larger conglomerates. The differences in perceptions on freshness were small, although they were significant. Thus, smaller local producers are advised to leverage their status in the marketplace by differentiating their offerings on the basis of product quality.

In general, the findings from this research were encouraging and they suggest several strategies for encouraging differentiation; among them are promoting positive corporate reputations and stressing the producer's environmental consciousness. Future research could consider to what extent the current findings, which focus on consumer perceptions, generalize to other entities in the value chain, in particular the middlemen such as wholesalers and retailers of food products. Results from such a study would provide additional insight into where agricultural producers can enhance perceived value across the entire supply chain.

Impact of results

The study suggests that an agricultural firm operating in parity markets, such as commodity markets with limited perceived differentiation in product quality from competing firms, can differentiate its offerings based on several factors that are independent of product quality—namely the company's environmental positioning, reputation, and origin. The research produced rather systematic findings regarding the effects of these marketing variables on a range of customer perceptions.

In conclusion, the presence of an environmental positioning strategy positively influenced consumer perceptions about agricultural producers and their offerings, including the general attitudes associated with these firms as well as beliefs about their support of social causes and the local community. Environmentally positioning a firm also improved customers' receptivity to the company's offerings.

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